

## AMENDMENTS TO THE CLAIMS

1. (currently amended) A computerized method of identifying potentially fraudulent healthcare reimbursement claims, comprising:

5 determining a sequence of healthcare states for a client from healthcare reimbursement claims associated with the client by segregating by entity and for each entity sorting by date, then, responsive to sorting, determining states to be modeled, wherein said states are identified at levels based on a state hierarchy process, and wherein each sequence comprises one or more states and storing said sequence in any  
10 of:

a data structure in a system database; and  
in working memory, and

processing healthcare reimbursement claims for a population of clients and  
healthcare providers for a selected time interval to identify a total set of potential  
15 healthcare states in a collection of healthcare data;

calculating a probability of the sequence of healthcare states based on previously  
calculated probabilities of individual ones of the healthcare states as contained in a  
model derived from [a] the collection of healthcare data, and based on aggregated  
sequence probability information from previously processed individual sequence  
20 probabilities; and

identifying the sequence as potentially fraudulent as a function of the probability  
of the sequence wherein said probability of sequence is distinct.

2. (currently amended) The computerized method of claim 1, further comprising:

~~processing healthcare reimbursement claims for a population of clients and  
healthcare providers for a selected time interval to identify a total set of potential  
healthcare states; and~~

for each healthcare state, determining a probability of the healthcare state as a  
30 function of the frequency of the healthcare state in the reimbursement claims.

3. (currently amended) A method for identifying potentially fraudulent or abusive treatment practices by healthcare providers, comprising:

processing healthcare reimbursement claims for a population of clients and healthcare providers for a selected time interval

5 [processing healthcare reimbursement claims] for treatments provided by the providers, to identify a total set of potential healthcare states in a collection of healthcare data and to determine transition probabilities for sequences of healthcare states for the treatments, wherein transition probabilities for sequences are determined based on previously calculated probabilities of individual ones of the healthcare states  
10 as contained in a model derived from [a] the collection of healthcare data, and wherein said sequences of healthcare states are created by segregating by entity and for each entity sorting by date, then, responsive to sorting, determining states to be modeled, wherein said states are identified at levels based on a state hierarchy process, and wherein each sequence comprises one or more states;

15 for each provider, determining an aggregated transition probability for all sequences of healthcare states for treatments provided by the provider; and

identifying as potentially fraudulent at least one provider having aggregated transition probability that is statistically different from the aggregate transition probabilities of similar providers.

20 4. (previously presented) The method of claim 3, wherein determining an aggregated transition probability for all sequences of healthcare states for treatment provided by the provider comprises:

25 for each client treated by a provider, determining a transition probability for each sequence of healthcare states including at least one treatment provided by the provider the client; and

determining the aggregated transition probability for the provider as a function of the transition probabilities determined for each sequence of each client.

30 5. (original) The method of claim 4, wherein:

for each pair of states, there is a transition probability for a transition between the states; and

the transition probability for a sequence of states is the geometric mean of the transition probabilities between each state and the next state in the sequence.

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6. (Canceled)

7. (previously presented) The method of Claim 3, wherein processing healthcare reimbursement claims for treatments provided by the providers, further comprises:

10 for each client in a population of clients, determining a transition probability for each sequence of healthcare states experienced by the client.

8. (currently amended) A method for creating a model of healthcare states, comprising:

15 processing healthcare reimbursement claims for a population of clients and healthcare providers for a selected time interval to identify a total set of potential healthcare states in a collection of healthcare data

[receiving healthcare reimbursement claims from a plurality of healthcare providers], each reimbursement claim related to a client and healthcare treatment;

for each client:

20 extracting from the claims related to the client a plurality of treatments;

determining by segregating by entity and for each entity sorting by date, then, responsive to sorting, determining states to be modeled, wherein said states are identified at levels based on a state hierarchy process at least one sequence of healthcare states from the treatments, wherein each sequence comprises one or more states, and wherein each state is associated with a provider;

25 for each pair of states in each sequence, updating a frequency count of a transition from a first state to a next state;

for each state, determining a total count of transitions from the state to all other states based on the frequency counts;

for each state transition from a first state to a next state, determining a transition probability for the state transition as the ratio of the frequency count from the first state to the next state, to total count of transition for the first state to all other states; and

after all transition probabilities are determined for each state transition, creating a  
5 look-up transition probability table that contains all state transition probabilities for subsequent transition probability in said model.

9. (currently amended) A method of profiling healthcare entities, the method comprising:

10 processing healthcare reimbursement claims for a population of clients and healthcare providers for a selected time interval to identify a total set of potential healthcare states in a collection of healthcare data;

determining at least one sequence of healthcare states from healthcare reimbursement claims associated with an entity by segregating by entity and for each  
15 entity sorting by date, then, responsive to sorting, determining states to be modeled, wherein said states are identified at levels based on a state hierarchy process, wherein each sequence comprises one or more states, and wherein a sequence of healthcare states represents client experiences in one or more episodes of care;

determining a transition probability of each sequence based on previously  
20 determined transition probabilities of individual ones of the healthcare states[[.]], wherein a previously determined transition probability of an individual healthcare state is determined using look-up table of Claim 8; and

assigning to a profile of the entity a transition metric based on the transition probability of each sequence.

25 10. (previously presented) The method of any of one of claims 1, 3, 8, or 9, wherein the healthcare states are facilities providing procedures to clients.

11. (previously presented) The method of any of one of claims 1, 3, 8, or 9, wherein the  
30 healthcare states are services codes for healthcare procedures.

12. (previously presented) The method of any of one of claims 1, 3, 8, or 9, wherein the healthcare states are the healthcare providers.

13. (previously presented) The method of any of one of claims 1, 3, 8, or 9, wherein the  
5 healthcare states are provider-days.

14. (previously presented) The method of any of one of claims 1, 3, 8, or 9, wherein the healthcare states are provider-service codes.

10 15. (currently amended) A system for creating models of healthcare claims, comprising:

a database of healthcare claims, each claim including identification of a client, a provider, at least one procedure, and a date, wherein healthcare reimbursement claims are processed for a population of clients and healthcare providers for a selected time  
15 interval to identify a total set of potential healthcare states in a collection of healthcare data;

a data processing module that processes a set of the claims into [[a]] date-ordered, entity specific sequences of states by segregating by entity and for each entity sorting by date, then, responsive to sorting, determining states to be modeled, wherein  
20 said states are identified at levels based on a state hierarchy process, wherein each sequence comprises one or more states, and wherein a state comprises any of: facilities providing procedures to clients, services codes for healthcare procedures, healthcare providers, provider-days, and provider-service codes;

a transition processing module that determines, from the date ordered entity  
25 specific sequences, a transition metric for each transition between states, wherein said transition metric for each transition between states is based on frequency counts of a transition from a first state to a next state; and

an entity profiling module that generates profiles for at least one entity and a transition metric for one or more sequences of states related to the entity.

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16. (original) The system of claim 15, further comprising:

an analytical module that receives the profiles and identifies entities that are potentially fraudulent or abusive based at least in part upon the transition metrics contained in the profiles.

5 17. (original) The system of claim 16, wherein the analytical module includes a predictive model.

18. (original) The system of claim 16, wherein the analytical module includes a rules based model.

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19. (original) The system of claim 15, wherein an entity is one of the group consisting of:

a client;

a healthcare provider;

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a provider/client; or

a procedure.